



CITY OF BILLINGS

FINANCE DIVISION

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EXHIBIT 2
DATE 3-3-09
HB 630

February 2, 2009

The City of Billings is in **support** of HB 630.

Background

The City of Billings has approximately \$22.2 million dollars of outstanding Special Improvement District (SID) debt. Billings predominantly issues more SID debt than the other larger cities in Montana.

The City of Billings attempted to get a \$5.3 million dollar SID bond rated in early fall 2008. The City's SID Revolving Fund percentage to outstanding debt was 32% at the time of the rating attempt. The rating agency had two main concerns with the current SID law. The two issues were: 1) the ability to levy for SID debt if necessary, and 2) that only 5% was required by law to be retained in the SID Revolving Fund. The rating agency declined on rating this issuance. Therefore, the City struggled getting a buyer for the \$5.3 million in SID bonds. Many hours of City and DA Davidson staff time were spent until, finally DA Davidson bought the bonds. That was the positive side of this issuance. The negative side, was that these bonds had an average coupon rate of 7.9%, versus a rated issue of approximately 5.5%.

Prior to this attempt, the City never had to get SID bonds rated and would receive four to five bids on each bond sale. Given the current state of the economy and financial market, that is not the case now.

SID Projects Currently on Hold

Billings has made the decision to not issue SID debt for the following projects that are ready be built. The ability to get bonds rated for a national sale is, unfortunately, an impossible task at this time. Finding a local buyer for bonds, if one can be found, will lead to a higher interest rate for the citizens of Billings.



Created SIDs

Summerhill	\$ 600,000	
Lake Elmo (Main to Wicks)	\$ 349,000	
East and West McDonald	\$ 489,574	
Yellowstone Club Estates Sewer	\$ 495,000	
Milton Lane	\$ 42,601	
Jackson Phase I	\$ 53,000	
Misc. Developer	\$ 188,813	
Jackson Phase II	\$ 57,000	
West Wicks	\$ 78,000	
Highland School Route	\$ 37,000	
Lake Elmo (Main to Wicks)	\$ 200,000	
Misc. C, G, & S	\$ 363,807	
Poly Sidewalks	<u>\$ 153,807</u>	
		\$ 3,107,602

Not created - in discussions with neighborhood

Poet Street Area	\$ 500,000	
Clubhouse Way	\$ 750,000	
Parkland West	\$ 300,000	
Zimmerman Sewer	<u>\$ 250,000</u>	
		<u>\$ 1,800,000</u>
		\$ 4,907,602